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**KEYNOTE ADDRESS BY MR UNATHI KAMLANA,  
COMMISSIONER OF THE FINANCIAL SECTOR CONDUCT AUTHORITY (FSCA)  
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Good morning, ladies and gentlemen.

It is a pleasure to welcome you to the FSCA's third annual Industry Conference. We are particularly pleased that so many of you from across the financial sector have joined us here today. Well, given that that two previous keynote addresses were given by two distinguished leaders, the Minister of Finance and the Governor of the SA Reserve Bank, there must be some questions about the apparent lowering of standards this year. The only explanation I'll give for it is that I had missed an Exco meeting and this resolution was taken in my absence. That's what happens when you miss Exco at the FSCA. So, I intend to not miss EXCO meetings in the next five years.

This conference continues a tradition that is very important to us at the FSCA - creating space for open and constructive engagement with the industry. It provides an opportunity to step back and consider the trends shaping our sector and, importantly, how we collectively respond to them.

For the leadership of the FSCA, this year is also quite significant. It marks the final year of our first five-year term in office. So, naturally, this invites us to pause and reflect - not only on what we have done on the regulatory front, but perhaps more importantly how we have observed the evolution of the financial sector over this period.

But reflection alone is not enough.

As Ludwig von Mises, the leader of the Austrian school of economic thought, once observed, even though history is about the past, the lessons it teaches concern the

future.<sup>1</sup> And the past five years have been an unusually rich period from which to draw lessons about the future.

The real question before us today is therefore not simply how the financial sector has changed. That is already evident. The more important question is this:

*What will define the next phase of development for the financial sector - and how must both regulators and the industry evolve to respond to it?*

This is a question the entire sector must grapple with. After all, the strength of the financial sector anywhere in the world depends on the combined efforts of regulators, financial institutions, markets, and the broader policy and economic environment in which they operate.

So, in my remarks this morning, I would like to reflect briefly on what the past five years have taught us about the financial sector, before turning to some of the forces that are likely to shape its future – including technological change, evolving regulatory frameworks, and the importance of maintaining trust and integrity in our sector.

### **The global and domestic context**

Before we talk about where the financial sector is heading, it's important to take stock and consider the broader contextual backdrop within which the sector operates.

At a time of profound political upheaval across the globe and here at home, the sector is not on the sidelines — it sits squarely at the centre of these developments, shaping outcomes and bearing the weight of their consequences.

For much of the past three decades, the global financial system has operated within an architecture of international cooperation. Multilateral institutions, global standards and coordinated regulatory frameworks have helped support stability and confidence in financial markets. We saw the strength of that system most clearly after the Global Financial Crisis of 2008–2009, when the G20, the Financial Stability Board and other

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<sup>1</sup> Theory and History: An Interpretation of Social and Economic Evolution, by Ludwig von Mises, 1957

international bodies coordinated policy responses and strengthened regulatory frameworks to stabilise the global financial system.

But the world in which that architecture was built is changing. Earlier this year, speaking at the World Economic Forum, the former central banker and now Prime Minister of Canada, Mark Carney, spoke about what he described as a “rupture in the world order.”<sup>2</sup> By using the word rupture, he was emphasising that the changes we are seeing are not simply a gradual transition. At the same time, he made the point that this rupture did not happen overnight. Rather, it is the result of developments over the past two decades that have exposed growing frictions and fissures in the architecture of the global system.

Today we are seeing rising geopolitical tensions, including the current conflict in the Middle East - increasing economic fragmentation, and a gradual weakening of some of the institutions that have traditionally served as the architecture for collective problem-solving.

For the financial sector, these developments matter greatly. Finance is one of the most interconnected parts of the global economy. So, when the environment becomes more uncertain, the effects are quickly felt in financial markets, in capital flows, in investment decisions, and ultimately in the daily lives of financial customers.

On the one hand, the good news is that we are beginning to see some signs of recovery in the economy and improvements in confidence in our institutions. South Africa’s exit from the grey list, after two and a half years of hard work from government, regulators, different agencies, and private sector players, has also helped rebuild confidence in our financial system. It shows what is possible when we work together to strengthen the system. It’s also encouraging that in November 2025, South Africa's sovereign credit rating was upgraded by S&P Global, from 'BB-' to 'BB', marking the first such upgrade by a major rating agency in nearly 20 years.

On the other hand, the current global developments are likely to negatively affect our economic prospects, making businesses to face more difficult operating conditions.

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<sup>2</sup> <https://www.pm.gc.ca/en/news/speeches/2026/01/20/principled-and-pragmatic-canadas-path-prime-minister-carney-addresses>

Investment decisions are likely to become more cautious. And the risks that financial institutions must manage become even more complex.

## **Major changes shaping the financial sector**

But understanding this broader context is only the starting point.

The financial sector is not simply responding to short-term economic conditions. It is also being reshaped by deeper structural changes that are fundamentally transforming how financial institutions operate, how markets function, and how financial services are delivered to customers.

### *Technological advancement and innovation*

Perhaps the most visible of these changes is the rapid advancement of technology. Over the past decade, developments in digital infrastructure, data analytics capability and cloud computing have transformed how financial institutions operate. What we are now witnessing is not simply technological change, but an acceleration of that transformation. Technology is no longer only improving existing processes, it is reshaping the structure of financial services themselves, enabling new business models, lowering barriers to entry and introducing new forms of competition. Artificial intelligence, in particular, is likely to become one of the defining technologies transforming the financial sector in the coming years. Our joint study with the Prudential Authority shows that AI is already being widely adopted across the sector, with financial institutions making significant investments in its development and deployment. You will hear more about this in our first panel discussion later this morning.

As regulators, we want to be clear that we support innovation in the financial sector. Technology has the potential to improve efficiency, reduce costs and expand access to financial services. But, as we've consistently emphasized, innovation must be pursued responsibly. As decisions are increasingly supported or even made by algorithms, questions of governance, accountability and fairness become even more important. If automated systems are used in areas such as credit decisions, investment advice or risk management, institutions must be able to explain how those decisions are made and ensure they remain fair and transparent.

Technology does not remove responsibility from institutions, if anything, it increases it. A more technology-enabled financial sector must therefore also be a more accountable one, where strong governance and fair outcomes for customers remain at the centre of how innovation is designed and deployed.

### *The changing structure of financial markets*

We are also witnessing important changes in the structure of financial markets. Newly licensed exchanges, alongside new trading venues and market participants, are emerging across South Africa's market ecosystem, increasing competition and encouraging innovation. At the same time, however, we have seen a gradual decline in the number of companies listed on public exchanges. This is not unique to South Africa; it is a trend observed in many markets around the world. But it does raise important questions about the depth and vibrancy of public capital markets, and about how we ensure that these markets continue to support economic growth.

Public markets have historically played a critical role in enabling companies to raise capital, expand their operations and create employment. Yet if fewer firms choose to list, we must ask why. Recent research on JSE delistings by the Development Policy Research Unit at the University of Cape Town, suggests that smaller and less profitable firms are significantly more likely to exit public markets, with delistings disproportionately concentrated among smaller companies.<sup>3</sup> Over time, this can lead to a concentration of market capitalisation among a smaller number of larger firms. That matters because a healthy market is not defined only by the strength of its largest players, but also by its depth, diversity and ability to support firms at different stages of growth. So, while increased competition among trading venues is welcome, we must also remain attentive to whether our capital markets continue to support breadth, inclusion and long-term economic dynamism. I look forward to the conversation that will be taking place later this

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<sup>3</sup> Borat, H., Neethling, L., & Sayed, A. (2026). Vanishing acts: An econometric exploration of firm delistings in South Africa (DPRU Working Paper 202601). Development Policy Research Unit, University of Cape Town.

afternoon with the CEOs of stock exchanges, where they will explore this topic in greater depth.

### *Climate change and sustainable finance*

Another development shaping financial markets is the growing recognition that climate change is not only an environmental issue, but increasingly a financial and strategic consideration. Investors, regulators and financial institutions are paying closer attention to how climate-related risks may affect the long-term performance of companies, investment portfolios and financial markets more broadly. As a result, climate considerations are beginning to influence how capital is allocated and how financial risks are assessed.

This shift has also increased the demand for clearer and more consistent information about how companies and financial institutions manage these risks. Globally, this has led to the development of sustainability disclosure frameworks, including the standards issued by the International Sustainability Standards Board, aimed at improving the transparency and comparability of sustainability-related information. Tomorrow we will get a chance to explore this, looking at the next frontier in sustainable finance.

At the same time, financial markets are seeing rapid growth in products described as sustainable or “green”. These products can play an important role in directing capital toward environmentally sustainable activities. But their credibility ultimately depends on the quality and clarity of the information provided to investors. For sustainable finance markets to develop in a meaningful way, disclosure must be credible, consistent and transparent so that investors can properly assess risks and make informed decisions.

### *Changing customer expectations*

Customer expectations are also changing in ways that are beginning to redefine the financial sector. Customers today are better informed, more digitally connected, and far better able to compare products and services than ever before. Technology and access to information have made financial markets more transparent, and customers are increasingly willing to question the value, fairness and suitability of the products they receive. Social media has amplified this dynamic even further. A single negative

experience can quickly be shared and spread widely online and as a result, reputational risks for institutions can escalate very quickly.

This shift is raising the standard for the entire industry. Customers now expect services that are clear, accessible and delivered through convenient digital channels. But they also expect institutions to act fairly and in their best interests. In other words, customers are no longer focused only on price or convenience, they are increasingly attentive to transparency, value and outcomes. Institutions that place customer outcomes at the centre of how they design and deliver financial services will be better positioned to maintain trust and support the long-term sustainability of the financial system.

### **Responding to Change: The Regulatory Perspective**

If the financial system is changing as rapidly as we have been discussing, the obvious question is: what does this mean for regulation?

Regulation, like the financial system itself, cannot remain static. It must evolve as new risks, technologies and market structures emerge. But the challenge is not simply to regulate more, it is to regulate better. Our experience over the past five years has reinforced an important lesson: effective regulation is not about prescribing detailed rules for every possible situation. It is about ensuring that the right outcomes are achieved in practice.

This is why our regulatory approach increasingly emphasises principles and outcomes. The financial sector and its business models evolve far more quickly than regulatory frameworks can be rewritten. Rather than attempting to prescribe every operational detail, the role of the regulator is to establish clear principles such as fair customer outcomes, transparency, market integrity and sound governance and to hold institutions accountable for delivering on those principles.

Closely linked to this is the principle of proportionality. Regulation must be calibrated to the risks it seeks to address. A framework that is too rigid can stifle innovation and competition, while one that is too light can undermine trust and stability. That's the delicate balance we are always seeking to strike: enabling innovation while ensuring that appropriate safeguards remain in place.

These ideas sit at the heart of the Conduct of Financial Institutions (COFI) framework. While the legislative process is still underway, the philosophy behind COFI is already shaping how we approach regulation and supervision. At its core, COFI represents a shift in mindset - away from a narrow focus on compliance - towards greater accountability for outcomes.

This means institutions must consider not only whether they have complied with rules, but whether the products they design, the advice they provide and the services they deliver genuinely serve the interests of financial customers. And this shift does not begin only when the legislation formally comes into effect, it should already be shaping how institutions think about conduct today.

So, perhaps the real question for the industry is not when COFI will arrive, but how prepared institutions are for the regulatory model it represents.

### **Governance, culture, and social capital**

Integrity and trust in the financial sector are ultimately shaped by how institutions are governed and the culture that exists within them. The decisions made by boards and senior leadership shape the outcomes that customers and markets experience. This applies across the sector, whether we are talking about banks, insurers, investment providers, retirement funds, or market infrastructures, because leadership influences how risks are managed, how products are designed, and how customers are treated.

In this regard, it is useful to reflect on an idea that the Governor of the South African Reserve Bank, Lesetja Kganyago, highlighted at the 2024 FSCA Annual Industry Conference: that the financial sector operates with two forms of capital - financial capital and social capital<sup>4</sup>. Financial capital is visible on balance sheets. Social capital, however, reflects the trust that society places in financial institutions. It is built over time through responsible leadership, ethical conduct and the consistent delivery of fair outcomes for customers, but it can be lost very quickly when misconduct occurs.

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<sup>4</sup> <https://www.resbank.co.za/content/dam/sarb/publications/speeches/speeches-by-governors/2024/Keynote%20address%20by%20Lesetja%20Kganyago%20Governor%20of%20the%20South%20African%20Reserve%20Bank%20at%20the%20Financial%20Sector%20Conduct%20Authority%20Industry-wide%20Conference%202024.pdf>

This is why governance and organisational culture matter so much. The standards institutions set internally, the behaviours they encourage, the incentives they create, and the accountability leadership enforces, determine whether that social capital is strengthened or eroded. While regulators can establish frameworks and take enforcement action where necessary, the day to day conduct of the financial sector is determined by the choices and behaviours of those who operate within it. It is my submission today that in the face of the global and local challenges confronting us, these good values and good conduct have never been more urgent.

## **Looking ahead**

As we look ahead, an important question arises: what will define the next phase of development for the financial sector? If the past few years have shown us anything, it is that the environment in which the sector operates is becoming more complex, more interconnected, and more technologically driven than ever before. The pace of change is accelerating, and institutions that are unable to adapt to that reality will increasingly struggle to remain relevant.

Technology and data will continue to play a central role in the future of finance. Artificial intelligence and advanced analytics will increasingly transform how financial services are delivered. But the long-term sustainability of these innovations will depend on responsible development and ethical deployment. As the sector innovates, regulators will also need to be agile and adaptable. The journey we have embarked on to modernise our regulatory approach is therefore not a once-off exercise, it is an internal reflection translating the nature and pace of innovation in the financial sector to how we regulate and supervise.

Customer expectations will continue to evolve. Financial institutions will therefore need to adapt their business models, governance frameworks and product design processes to ensure that the services they provide deliver meaningful outcomes for customers.

The point to underscore is this: the future of the financial sector will not be shaped by regulators alone, nor by industry alone. It will depend on how effectively we work together to navigate these changes and build a financial system that remains resilient, innovative and trusted.

## **Conclusion**

As I conclude, in thinking about financial customers, we often talk about the concept of financial health, in other words, whether financial products and services help households build resilience, manage risk, and achieve their financial goals.

During her visit to South Africa last year, I had the opportunity to engage with Her Majesty Queen Máxima of the Netherlands, in her capacity as the United Nations Secretary-General's Special Advocate for Financial Health. We had a very insightful discussion on the importance of building a financial sector that genuinely improves people's financial well-being.

As Special Advocate for Financial Health, Her Majesty works with public and private sector leaders to advance financial systems that meaningfully improve people's lives and support national development objectives. She has also been a strong voice for advancing financial inclusion and financial health in South Africa.

We are therefore very pleased that Her Majesty has agreed to share some of her reflections with us today.

Ladies and gentlemen, please turn your attention to the screen for the address from Her Majesty Queen Máxima. Thank you.